



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

Internal Audit Section
1520 Market St., Suite 3005
St. Louis, Missouri 63103-2630
(314) 657-3490
Fax: (314) 552-7670

June 25, 2015

Richard T. Gray, Director
Department of Public Safety
1200 Market Street, Room 401
St. Louis, MO 63103-2860

RE: Review of Emergency Medical Services (EMS) Billings and Collections Process
(Project #2015-PR03)

Dear Mr. Gray:

Enclosed is the Internal Audit Section's report on the EMS billings and collections process. Since EMS has contracted out this responsibility, the focus of this review was on the contractor - Goeggel Company, d/b/a ProClaims EMS Billing (PROCLAIMS) - and compliance with the City contract to provide billing and collection services for EMS. Enclosed is the report covering the period July 1, 2013 through September 30, 2014. A description of the scope of work is included in the report.

Fieldwork was completed on March 27, 2015. Management's responses to the observations and recommendations noted in the report were received on June 18, 2015 and have been incorporated into the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Mohammad H. Adil, CPA, CGMA
Internal Audit Supervisor

Enclosure

CC: Charlene Deeken, Deputy Director, Department of Public Safety
Dennis Jenkerson, Fire Chief
Cynthia Dixon, Fiscal Services Manager / Administrative Assistant II, Fire Department



CITY OF ST. LOUIS

**DEPARTMENT OF PUBLIC SAFETY
FIRE DEPARTMENT**

**EMERGENCY MEDICAL SERVICES (EMS)
BILLINGS AND COLLECTIONS**

PROCESS REVIEW

JULY 1, 2013 THROUGH SEPTEMBER 30, 2014

PROJECT #2015-PR03

DATE ISSUED: JUNE 25, 2015

**Prepared By:
The Internal Audit Section**



CITY OF ST. LOUIS

HONORABLE DARLENE GREEN, COMPTROLLER

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BILLINGS AND COLLECTIONS
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SUMMARY

Background

The City of St. Louis has contracted out the EMS billings and collections responsibilities. A professional service agreement (Agreement) was entered into with the Goeggel Company, d/b/a ProClaims EMS Billing (PROCLAIMS) on November 28, 2011, for an initial three year term, with the termination date not later than July 1, 2015. The purpose of the contract was to bill for the emergency ambulance services provided by City EMS and to collect the billed amounts for a service charge of 7.5% per collection. The total collections for the Fiscal year July 1, 2013 through June 30, 2014, included in the review period, amounted to \$8,062,018.71 with PROCLAIMS' service charges of \$606,809.98.

Purpose

The purpose of this review was to determine if EMS effectively and efficiently managed the billings and collections processes through the contract with PROCLAIMS to ensure:

- PROCLAIMS compliance with the terms, conditions, and various provisions of the Agreement.
- Compliance with applicable laws, regulations, policies, and procedures.
- Safeguarding of assets.
- Reliability and integrity of financial and operational information.

Scope and Methodology

The review was confined to evaluating EMS' internal controls over the billing and collection processes. In addition, inquiries were made and tests were performed regarding PROCLAIMS' compliance with the Agreement to provide billing and collection services. The scope of the review covered the period July 1, 2013 through September 30, 2014.

Conclusion

EMS has the opportunity to improve internal controls over the billing and collection processes to include PROCLAIMS compliance with the Agreement.

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SUMMARY

Current Observations

We noted the following observations and opportunities for improvement.

1. PROCLAIMS Overbilled the City
2. PROCLAIMS Transport Billings Were Not Timely
3. PROCLAIMS Guarantee Amount Based upon Unrealistic Billable Transport Events
4. Agreement Did Not Have a Right to Audit Clause

Management Response

An exit conference was conducted with representatives of the Department of Public Safety, Fire Department and EMS on Wednesday, June 10, 2015. In attendance were:

- Charlene Deeken, Deputy Director, Department of Public Safety
- Dennis M. Jenkerson, Fire Chief, Fire Department
- Cynthia Dixon, Administrative Assistant / Fiscal Manager
- Michelle Mayer, Bureau of Emergency Medical Services (EMS)

The Internal Audit Section was represented at the exit conference by:

- Mohammad H. Adil, Internal Audit Supervisor
- Olaide Hassan, Auditor-in-Charge

The report observations and recommendations were discussed at the exit conference.

The Department of Public Safety management subsequently provided a written response to the Internal Audit Section on June 18, 2015, which has been incorporated into this report.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

1. PROCLAIMS Overbilled the City

The Agreement provided for a 7.5 % charge by PROCLAIMS for EMS billing and collection services rendered:

- On or after the commencement of the Agreement.
- During the 30 days that immediately precede the commencement date of the Agreement.

In addition, the Agreement provided for a service charge of 11% or 15%, depending on the age of the claim, if PROCLAIMS processed or reprocessed a claim that was run more than 30 days before the commencement of the Agreement

We selected a sample of PROCLAIMS invoices for the three months (July, August and September, 2014) to determine if the City was correctly billed for the services rendered by PROCLAIMS. We noted that PROCLAIMS made the following invoicing errors:

- The invoice dated August 5, 2014, reported revenue of \$17,341.32, which included the service charge twice - once at 15%, then again at 7.5%. **This resulted in an overpayment of \$2,601.20 (\$17,341.32 at 15%).**
- The invoice dated September 5, 2014, reported revenue of \$36,651 instead of, \$4,366.51 and a service charge of 11% applied. The City accordingly paid a service charge of \$4,061.31. The error in reporting of the collections resulted in an overpayment of \$3,991.29 as follows:

Actual Amount Collected	<u>\$366.51</u>
Actual Service Charge (\$366.51)	\$40.32
Service Charge/Paid (11% of \$36,651)	<u>\$4,031.61</u>
Overpayment	<u>\$3,991.29</u>

As of the end of the fieldwork date, EMS had not taken any steps to claim a refund for these overpayments of **\$6,592.49 (\$2,601.20+\$3,991.29).**

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

Recommendation

Internal Audit recommends that the EMS should:

- Claim a refund of \$6,592.29 from PROCLAIMS.
- Review all past invoices to ensure that all service charges were correctly calculated.
- Ensure, upon receipt, PROCLAIMS invoices are checked for the accuracy of
 - Revenue forming the basis of the service charge.
 - Rate of the service charge.
 - Calculation of the service charge.

Management Response

The Fire Department does currently have a procedure by which reconciliations are performed to identify these discrepancies. Reviews will be conducted on regular basis to assure accuracy of all charges and payments. If an overpayment is discovered, an adjustment to the next invoice will be made to recover the overpayment. If at the end of the contract an overpayment is due, the final reimbursement will recover the overpayment. In addition, the after recent consultation with the contractor, the contractor agrees to the overpayment and will credit the next invoice with the adjustments.

2. PROCLAIMS Transport Billings Were Not Timely

We reviewed a sample of 592 PROCLAIMS “first billings” for the billable transport events in September 2014. The purpose of the review was to determine timeliness of the billings by PROCLAIMS.

We noted that PROCLAIMS took 63 to 82 days to process the “first billings” even though the City made available to them the information of the billable transport events the following day of the services.

The delays are significant and have resulted in loss to the City of immediate use of the funds. In addition, some insurance providers have timely filing limits of 30 days after the date of service, therefore, making the timely filing of the claims extremely important.

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Recommendation

Internal Audit recommends that EMS:

- Revise the Agreement to include a clause requiring the contractor to send first billings within seven (7) working days of receiving the information on a billable transport event.
- Monitor contractor compliance with the agreement and timeliness of transport billings.

Management Response

The Fire Department has requested several reports that will reflect timely billing and payments that were not originally available to the department, such as, payer summary, charge summary, payer source summaries and date of invoice, etc. In addition, the contract revision includes very specific language about nature, frequency and type of reports required. The department will monitor all contractual activity on regular basis to assure compliance. Revised reconciliation procedures are forthcoming shortly from the Manager of Fiscal Services.

3. PROCLAIMS Guarantee Amount Based upon Unrealistic Terms

Under the Agreement, PROCLAIMS guaranteed \$10 million in collections from the billable transport events for a twelve month period.

Based on the invoices submitted, total collections by PROCLAIMS from the billable transport events in Fiscal years 2013 and 2014 were \$8,489,738.24 and \$8,008,688.61 and, therefore, were under the guarantee. However the guarantee in these instances did not apply, because the guarantee was subject to the following adjustments as per the terms of the Agreement:

- The guarantee would be adjusted pro-rata if the total number of billable EMS transport events for a 12 month period fell below 44,000 (as benchmark in request for proposal) and/ or Advance Life Support (ALS) billable transports fell below 43,480 per each 12 month period (the balance of 520 billable transports being Basic Life Support (BLS) or ALS 2 transports).

For the purpose of calculating the guarantee amount, the City will credit PROCLAIMS \$600,000 for each 12 month period under this Agreement. This is the estimated

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amount of savings, the City is expected to realize through elimination of its direct employee costs for billing service employees. This is in addition to the service charge of 7.5% charged by PROCLAIMS on collections from the billable transport events for its services for the same period.

The adjustment calculations under the agreement, when applicable, consist of a pro-rata reduction in the guarantee amount at the rate of \$227.45 per ALS billable transport and \$212.65 per BLS patient transport.

For the first two (2) twelve month periods of the contract the City's ALS (ALS1 & ALS 2) billable transport events were as follows:

March 2012 through February 2013	(28,336+264)	28,600
March 2013 through February 2014	(25,322 +314)	<u>25,636</u>
Total		54,236

Average ALS billable transport events for a 12 month period 27,118

Based on the average billable ALS transport events of 27,118 for the past two (2) twelve month period, it appears that the Agreement's threshold of 43,480 ALS billable transports for the guarantee of \$10 million in collections to apply is set too high. It does not reflect the past experience of the City's yearly ALS transport events.

In addition, based on the pro-rata reduction in the guarantee amount along with the adjustment of \$600,000 to the guarantee for the savings the City is expected to realize through elimination of its direct employee costs for billing service employees, the actual collections guaranteed by PROCLAIMS is, in fact, substantially less than \$10 million for a twelve month period.

Recommendation

Internal Audit recommends that the City:

- Ensure that in the future billing agreement the threshold of the City's ALS billable transport events be based on the past experience of the average ALS billable transport events per a 12 month period.
- Review the need for the Agreement term, which allows for a reduction of \$600,000 to the guarantee for the savings the City is expected to realize through elimination of its

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direct employee costs for billing service employees for a 12 month period. PROCLAIMS is already charging a service charge of 7.5% on collections for the same period and the entire reason for outsourcing the billing and collection services was to reduce the operating costs through efficiencies.

Management Response

The Department believes the language in the original contract to be convoluted and difficult to manage. We agree that it is unrealistic and the past experience of the department demonstrates that the number and type of billable events in the ambulance service varies from year to year and is influenced by a number of factors beyond the control of our service. Future contracts should be based on performance measures that enable the highest cost recovery possible at the lowest operating cost for the billing component rather than a firm, fixed target. It is in the best interest of both the City and the billing contractor to recover as much revenue as possible in the most cost effective manner. Additionally, the department plans to explore ways to more closely match operating expenses with potential cost recovery while still maintaining the best possible service for the citizens. This is not an easy process and will require close examination of every element of the ambulance service.

4. Agreement Did Not Have a Right to Audit Clause

The Agreement with PROCLAIMS did not contain a right to audit clause. An audit clause in an agreement gives the City the right to examine the books and records of the contractor to ensure compliance with the terms and conditions of the contract.

Even though there was no right to audit clause in the agreement, we did receive cooperation from PROCLAIMS. However, the absence of an audit clause may prevent the City from verifying that contractors are in compliance with contract terms and conditions.

Recommendation

Internal Audit recommends that the City include a right to audit clause in all future contracts and professional service agreements.

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Management Response

The contract addendum includes an audit clause that will permit the City to inspect and review the contractual activities as deemed necessary.